



April 18, 2006

The Honorable George W. Bush
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

As chairman and vice-chairman of the Democratic Leadership Council, we are writing to share our concerns about the direction of the U.S.-China trade relationship.

As you may know, the DLC has supported efforts in this and past administrations to open markets and strengthen the US-China trade relationship. This has been bipartisan American policy since the opening to China in 1973. On both economic and national-security grounds alike, we believe it remains the right approach. But the relationship is under stress as trade and financial imbalances widen and problems such as intellectual property rights – important in their own right and as indicators of China's ability to meet its WTO obligations – continue to fester.

If the relationship is to retain widespread public support, these questions must be addressed quickly and effectively by both sides. President Hu's coming visit is a unique opportunity to begin doing so. Thus, we are writing to suggest that this week's Summit meeting launch three major initiatives to reduce the pressure of trade and financial imbalances, address intellectual property abuses, and resume broad opening of global markets.

Trade and Financial Imbalances: First, the U.S. and China need to cooperate to reduce America's growing trade and current-account deficits and China's growing surpluses. On the Chinese side, this will require more rapid movement toward market-based currencies, and acceptance of a coordinated program, comparable to those adopted in similar circumstances in 1985 and 1987, to revalue the major European and Asian currencies. On the U.S. side, with efforts to tame budget deficits and raise savings having evidently failed, the time has come for a bipartisan budget summit like that of 1990. The summit's plan should overhaul tax and budget policies that have recreated a large structural fiscal deficit and required us to engage in heavy overseas borrowing, begin bringing U.S. government finances back into balance, and create incentives for higher household savings rates.

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Intellectual Property: Second, intellectual property piracy in China has become not only a financial problem for American innovators and the credibility of Chinese trade policy, but a long-term threat to economic growth and public health. We hope you will reach agreement with the Chinese President on rapid action against the most serious intellectual property rights problems – for example, those committed by government agencies through use of pirated software, and those which threaten public health and safety such as counterfeit medicines as well as auto parts. Moreover, we need a longer-term program to bring Chinese intellectual property standards in line with those of other major economies.

Opening Markets: Third, the WTO's deadline for consensus on the Doha Round's major agriculture, services and manufacturing issues looming up at the end of April. The Round is the principal opportunity in this decade to open markets to American farm products, manufactured goods and services, liberalize trade on a worldwide basis, and thus to speed growth and reduce poverty worldwide. A public commitment by both countries to the Round's success, through Chinese commitments to deeper reform and market-opening, as well as American commitments to tariff reform in light industries, would help ensure a successful outcome and therefore stronger prospects of global growth, development and poverty reduction in coming years.

The three measures together would help stabilize the U.S. and global economies, help preserve America's ability to invent the high-technology, high-wage industries of the future, and help spur growth and job creation worldwide. Together, with broadened and bipartisan consultation and input on the major trade issues likely to come before the country in the next years, the proposals would also rebuild the foundation of public support for trade with China and open markets generally. We hope you will agree and we look forward to further discussion of this important relationship.

With best personal regards, we remain



Governor Tom Vilsack
Chairman



Senator Tom Carper
Vice Chairman